

Message Text

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43

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-03 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 PA-01 PRS-01 /124 W

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R 272126Z JUN 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9259

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHARAN

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, OPEC, VE

SUBJECT: VENEZUELAN VIEW OF OPEC MINISTERIAL CONFERENCE

1. SUMMARY: ACCORDING TO VENEZUELA'S OPEC GOVERNOR, THE
RECENT OPEC MINISTERIAL CONFERENCE MADE NO DEFINITIVE DECISION
TO INCREASE PETROLEUM PRICES. THE DECISION WILL BE MADE AT
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THE NEXT OPEC MEETING IN SEPTEMBER FOLLOWING A REVIEW OF STUDIES

NOW UNDERWAY. END SUMMARY.

2. EMBASSY OFFICER MET JUNE 27 WITH DR. ALBERTO FLORES, OPEC GOVERNOR OF VENEZUELA, TO REVIEW RESULTS OF THE RECENT OPEC MINISTERIAL CONFERENCE IN GABON. FLORES EXPRESSED DISMAY AT THE REACTION IN THE U.S. TO THE DECISION OF OPEC TO READJUST OIL PRICES EXPIRES ON SEPTEMBER 30. A NEW PRICE FORMULA IS NECESSARY, HE SAID, PRIMARILY BECAUSE CRUDE AND PRODUCTS PRICES MUST BE ADJUSTED TO CONFORM TO MARKET REALITIES. FLORES SAID THAT THE EFFECTS OF INFLATION MUST ALSO BE TAKEN INTO ACCOUNT IN SETTING NEW PRICE LEVELS, BUT SUCH ADJUSTMENTS WOULD NOT REFLECT THE FULL EXTENT OF THE INFLATIONARY IMPACT ON PRODUCING COUNTRIES.

3. FLORES DREW A SHARP DISTINCTION BETWEEN PETROLEUM PRICE INCREASES IN REAL TERMS AND PRICE ADJUSTMENTS TO OFFSET INFLATION IN THE INTERNATIONAL ECONOMY. HE SAID THAT OPEC'S DECISION REGARDING PRICES WOULD REFLECT THE RESULTS OF STUDIES NOW BEING UNDERTAKEN BY T HE BATELLE INSTITUTE BASED IN GENEVA. THE RESULTS WILL BE REVIEWED BY THE ECONOMIC COMMISSION OF OPEC DURING THE SECOND WEEK OF SEPTEMBER. FLORES DENIED THAT PRICE ADJUSTMENTS IN ALL CASES WILL BE UPWARD. RECENT EXPERIENCE IN THE PETROLEUM MARKET HAS BEEN JUST THE OPPOSITE, HE SAID.

4. FLORES REGARDS THE DECISION TO ADOPT THE SDR AS A UNIT OF ACCOUNT AS A MEASURE RELATED STRICTLY TO MAINTENANCE OF VALUE RATHER THAN A MEANS OF INCREASING PRICES. HE WAS NOT CERTAIN, HOWEVER, WHAT SPECIFIC EXCHANGE RATE MIGHT BE ADOPTED. THIS ALSO, ACCORDING TO FLORES, WOULD DEPEND UPON THE RESULTS OF STUDIES NOW BEING UNDERTAKEN.

5. FLORES ATTACHED CONSIDERABLE IMPORTANCE TO THE RESUMPTION OF THE PRODUCER/CONSUMER PREPCON AND ITS RELATION TO OPEC PRICE DECISIONS. HE SAID THAT OPEC MUST FIND SOME MEANS TO TAKE CONSUMER VIEWS INTO ACCOUNT AND THIS MIGHT BE PROVIDED BY THE PRODUCER/ CONSUMER CONFERENCE. HE THOUGHT DEVELOPMENTS IN THE PRODUCER/CONSUMER DIALOGUE WOULD HAVE A CONSIDERABLE INFLUENCE ON OPEC'S DECISION IN SEPTEMBER.

6. COMMENT: FLORES IMPLIED QUITE CLEARLY THAT THE ULTIMATE LIMITED OFFICIAL USE

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DECISION ON OPEC PRICES WOULD BE INFLUENCED QUITE STRONGLY BY THE RESULTS OF THE PRODUCER/CONSUMER DIALOGUE.
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